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C O N F I D E N T I A L ABU DHABI 04655

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ACTION: AMB
INFO: ECON POL DCM

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CHARGE: PROG

APPROVED: CDA:RALBRIGHT
DRAFTED: ECON:OJOHN
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TO RUEHC/SECSTATE WASHDC PRIORITY 7331
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
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C O N F I D E N T I A L ABU DHABI 004655

SIPDIS

STATE PASS USTR FOR NOVELLI AND BELL

E.O. 12958: DECL: 12/12/2029
TAGS: ETRD ECON PREL PINR GCC TC

SUBJECT: UAE WILL PURSUE FTA WITH THE USG: DISAGREES WITH SAUDIS' POLITICIZING THE ISSUE (C-NE4-01168)

REF: A. STATE 267492
1B. ABU DHABI 4504

(U) Classified by charge d'affaires a.i. richard albright for reasons 1.4 (b, d, and c)

11. (C) On December 18, Charge and MFA Undersecretary Abdullah Rashid Al-Noaimi discussed Saudi pressure on Bahrain to back away from its FTA with the U.S. and the possible impact on the GCC summit. Al-Noaimi reiterated UAE commitment to negotiating an FTA with the U.S. He said that he did not understand why the Saudis were putting such strong pressure on the Bahrainis, adding, "they (the Saudis) signed their own TIFA, then they flipped."

12. (C) Al-Noaimi acknowledged the need to address legitimate Saudi concerns about the impact of an FTA on the GCC customs union. He added, however, that the UAE viewed this as a technical issue that called for a technical solution. The UAE did not agree, he said, with the Saudis on two major points: one, elevating the problem from a technical to a political level; and two, tying the FTA issue to other GCC issues. He noted that differences inevitably arise in a regional bloc, but that these differences shouldn't affect other areas of cooperation. He emphasized that the Saudis shouldn't try to "strangle" Bahrain in the area of goods exports or oil. He added that the UAE was pushing to keep this issue off the agenda of the heads of state meeting. (Note: Based on press reporting, it is not clear how successful the UAE will be.)

13. (C) Al-Noaimi briefly discussed the recent visit of UAE President Sheikh Khalifa bin Zayed to Saudi Arabia. He said that the UAE had sought Saudi concurrence to host the next GCC summit in the UAE. (Note: The UAE had agreed with

Bahrain that Bahrain would host the 2004 GCC summit. It was not clear, whether the UAE had given up its turn or switched with the Bahrainis.) He said that the issue of the FTA did not come up in discussion during Sheikh Khalifa's visit.

¶4. (C) Finally, Al-Noaimi stated that the UAEG had held a meeting, on December 15 with all of the relevant ministers, to formulate a UAEG position on the FTA in advance of the GCC summit. The ministers reiterated that the UAEG would proceed with its bilateral negotiations with the U.S. and would seek technical solutions to address Saudi concerns. He added that the UAE, Qatar, and Oman were all backing Bahrain's decision to stand firm against Saudi pressure, and asked what steps the USG was taking to convince the Saudis to "cool it."

¶5. (C) Comment: The Emiratis are clearly irritated about what they see as "heavy handed" Saudi tactics. That said, they don't intend to let Saudi opposition prevent them from taking actions that they see are in their own national interest, namely negotiating an FTA with the U.S.

ALBRIGHT